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**PROPOSED ATTORNEYS FOR DEBTOR SUPERIOR AIR PARTS, INC.**

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

<b>IN RE:</b>	<b>§</b>	
	<b>§</b>	<b>Chapter 11</b>
	<b>§</b>	
<b>SUPERIOR AIR PARTS, INC.,</b>	<b>§</b>	<b>Case No. 08-36705</b>
	<b>§</b>	
<b>Debtor.</b>	<b>§</b>	
	<b>§</b>	

**DEBTOR'S MOTION PURSUANT TO SECTION  
364(C) OF THE BANKRUPTCY CODE FOR FINAL  
ORDER AUTHORIZING POST-PETITION FINANCING**

**AN EXPEDITED HEARING HAS BEEN REQUESTED.**

Superior Air Parts, Inc., the above-captioned debtor and debtor-in-possession (the "Debtor" or the "Superior"), files this motion for final order granting authorization to obtain debtor-in-possession financing, pursuant to Bankruptcy Code § 364(c) ("DIP Financing Motion"), and respectfully states as follows:

## **I. Jurisdiction**

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b).

## **II. Background**

2. On the date hereof (the “Commencement Date”), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its properties and assets as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code. No committee, Chapter 11 trustee or examiner has been appointed in this case.

3. Superior Air Parts, Inc. (“Superior”) is a Texas corporation with its offices and operating facilities located in Coppell, Dallas County, Texas. It was founded in 1967 in order to supply the United States Air Force and commercial customers with replacement parts for piston powered aircraft engines. Superior is one of the largest suppliers of parts under Federal Aviation Administration’s (“FAA”) Parts Manufacturer Approval (“PMA”) regulations for piston engines. It provides Superior-brand parts for engines created by two primary original equipment manufacturers (“OEMs”), the Continental division of Teledyne, Inc. and the Lycoming division of Textron Inc. Its customers are companies that perform maintenance and overhaul work in the general aviation industry. Superior is also an OEM for the (i) 180-horsepower Vantage Engine and (ii) Superior or owner-built XP-360 Engine for various aircraft companies.

4. In 2006, 100% of the ownership interests of Superior was acquired by Thielert, AG (“Thielert”), a German corporation based out of Hamburg, Germany. Also in 2006, Thielert purchased the debt of Superior’s senior secured lender and

subordinated lenders secured by substantially all of the Debtor's assets. The outstanding indebtedness to Thielert is approximately \$10 million. However, it does not appear that Thielert has filed a UCC Financing Statement with the Texas Secretary of State, perfecting its security interests in the Debtor's assets. One of Thielert's other subsidiaries, Thielert Aircraft Engines GmbH, has been providing Superior with parts on credit under a supply contract and is owed over \$15 million in unsecured debt. Upon information and belief, the Debtor's trade creditors are owed over \$1.8 million.

5. The Debtor earned \$451,365 from operations in 2006, but lost \$5,635,053 in 2007 and \$4,238,697 through October 2008.

6. On April 30, 2008, Thielert filed an insolvency proceeding in Hamburg, Germany and Dr. Achim Ahrendt was appointed as the preliminary Insolvency Administrator. Thielert Aircraft Engines GmbH, which had been providing engine parts to Superior on credit, also filed an insolvency proceeding in Germany. Dr. Ahrendt determined that it was in the best interest of Thielert and Superior to sell Superior or its assets. In June 2008, Superior hired Corporate Finance Partners Midcap GmbH ("CFP"), a German investment company based in Berlin, Germany to serve as its investment advisor and to seek possible suitors for Superior. CFP canvassed the market, negotiated with numerous potential purchasers, and enabled interested parties to conduct substantial due diligence. As a result of those efforts, Superior entered into an asset purchase agreement on December 30, 2008 with Avco Corporation ("Avco"), a wholly-owned subsidiary of Textron Inc., the highest bidder to date, pursuant to which Avco has agreed to buy substantially all of Superior's assets for \$11.5 million, subject to adjustments for inventory reductions after October 31, 2008.

7. One of the conditions of the purchase agreement was that the purchase be consummated through a Chapter 11 bankruptcy proceeding. This Chapter 11 case was filed to liquidate the assets of Superior and to obtain the highest and best price for creditors, either through the purchase agreement with Avco or at a public auction.

8. Time is of the essence. Due to the nature of the Debtor's business, it is not feasible for the Debtor to continue to assemble and sell small engines or to sell parts when the sale of substantially all of its assets is pending. Accordingly, the Debtor has ceased sales and assembly operations to conserve cash and preserve the assets. The Debtor has retained a group of key employees who are necessary to the consummation of a sale and the Debtor's only post-petition income will come from the collection of accounts receivable. The longer the Debtor must continue to operate in this mode, the less funds will be available to pay creditors.

### **III. Relief Requested**

9. Contemporaneously with the filing of this DIP Financing Motion, Superior filed a Motion for Authority to Sell Substantially all of its Assets Under §363 of the Bankruptcy Code ("Motion to Sell"). Attached to the Motion to Sell is an Asset Purchase Agreement ("APA") with Avco that called for a Deposit Amount of \$350,000. Under Section 11.7(a) and (b) of the APA, the Debtor is authorized to use a portion of the Deposit Amount in an amount equal to the funds necessary to pay independent third party fees and expenses incurred by Seller in connection with the provision of the Transaction Notice described in Sections 11.7(a)(v) and 11.7(b) of the APA, provided such fees and expenses are pre-approved in writing by Purchaser (the "Transaction Notice Costs"). The Transaction Notice fees are to be used for noticing costs for the approximately 200,000 outstanding owners of piston-powered aircraft registered with

the FAA who may have claims. Because these noticing fees will need to be incurred prior to approval of the APA, or the sale to another successful bidder under a public auction of the Debtor's assets, if any, it is necessary for Avco to loan the Transaction Notice Costs under this DIP Financing Motion. Therefore, pursuant to Bankruptcy Code § 364(c)(1), the Debtor moves this Court for authorization to obtain debtor-in-possession financing from Avco as lender, according to the terms and conditions described herein and in the APA. In exchange for this DIP Financing, the Debtor proposes to grant to Avco a super-priority administrative expense claim pursuant to Bankruptcy Code §§ 503(b) and 507(a), which will be binding upon any subsequently appointed Chapter 11 or Chapter 7 trustee.

10. Avco is willing to advance monies to the Debtor only upon the conditions described in this DIP Financing Motion and the APA. As the proposed purchaser under the APA, Avco is uniquely and solely positioned to provide the requested funds. The Debtor is unable to obtain sufficient levels of unsecured credit allowable under Bankruptcy Code §§ 503(b)(1) and 364(c)(1) as an administrative expense necessary to provide the noticing except under the terms and conditions described in this DIP Financing Motion.

11. The parent of the Debtor, Thielert, is the only nominally secured party in this case, although the Debtor believes the lien is not perfected. Thielert has consented to the DIP Financing and the APA, so there are no other creditors other than priority wage creditors and general unsecured creditors who will be subject to the super-priority administrative claim status requested. It is in the best interest of the Debtor's estate that it be allowed to finance the noticing requirements of the APA under the terms and

conditions set forth herein, as such financing is necessary to permit the Debtor to attempt to complete the sale for the benefit of creditors.

12. The credit and financial accommodations to be extended under this financing arrangement are being extended by Avco in good faith and Avco is entitled to the protection of Bankruptcy Code § 364(e).

13. Sufficient and adequate notice of relief sought by the DIP Financing Motion and the hearings with respect thereto has been given pursuant to Bankruptcy Rule 4001 and Bankruptcy Code § 102(1) as required by Bankruptcy Code § 364(c), and no further notice is required.

14. Good and sufficient cause exists to grant this DIP Financing Motion.

WHEREFORE, the Debtor respectfully requests entry of an Order (i) authorizing the Debtor, pursuant to § 364(c)(1) of the Bankruptcy Code, to obtain post-petition financing from Avco Corporation in the actual amount of the Transaction Notice Costs; (ii) granting to Avco Corporation a super-priority administrative claim status pursuant to § 364(c)(1) of the Code, and (iii) granting such other and further relief as is just and proper.

Respectfully submitted,

/s/ Duane J. Brescia

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**Proposed Bankruptcy Attorneys for the Debtor**

**CERTIFICATE OF CONFERENCE**

The undersigned certifies that this motion is unopposed by the following parties: Thielert AG (the sole shareholder and secured creditor of the debtor) and Avco Corporation (the proposed lender and purchaser of the assets). Since this motion is filed within one business day of the petition date, the undersigned will not know whether any parties may object until they are served.

/s/ Duane J. Brescia

Duane J. Brescia

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the above and foregoing document was served upon the parties listed below, if any, and on the attached service list via First Class U.S. Mail, postage prepaid and email on January 2, 2009.

/s/ Duane J. Brescia

Duane J. Brescia

## LIMITED SERVICE LIST



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Dallas TX 75227

Saturn Fasteners Inc.  
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Champion Aerospace, Inc.  
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Ohio Gasket & Shim  
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Akron, OH 44305

Gerhardt Gear  
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Burbank CA 91502-1926

Automatic Screw Machine  
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Helio Precision Products  
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